February 27, 2003

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Federal-State Joint Board on Universal Service, CC Docket 96-45; and CC Dockets 98-171, 90-571, 92-237, 99-200, 95-116, 98-170

Dear Ms. Dortch:

The Telecommunications Research & Action Center (TRAC) submits these comments to the Federal Communications Commission (Commission) to express its concern regarding the above-captioned proceedings. TRAC is a non-profit membership organization based in Washington, DC that, since its inception in 1983, has promoted the interests of residential telecommunications customers. TRAC staff researches telecommunications issues and publishes rate comparisons to help consumers make informed decisions regarding their long distance and local phone service options. TRAC can be found on the web at http://www.trac.org.

TRAC cautions the Commission to carefully reconsider drastically altering the way it assess contributions to the universal service fund (USF) from the current revenue-based methodology (RBM) to a connection-based methodology (CBM). TRAC is participating in these proceedings because of the devastating impact that a change from RBM to CBM would have on residential consumers. As other Commenters, such as Consumers Union and Consumer Federation of America have noted, "such a change would shift much of the responsibility for USF funding from business users to residential users, and would increase USF rates for many average-use and low-use residential customers."[1]

TRAC notes with alarm that the proposed CBM violates the clear mandate of the Telecommunications Act of 1996 (1996 Act) to assess ***every telecommunication carrier for USF contributions***. Under CBM, the assessment would shift from the carriers to the end-users. Such a shift in burden violates the 1996 Act tenet that the assessment be equitable and nondiscriminatory. Under the proposed CBM, high–volume and low-volume consumers would be charge the same flat fee. This is hardly equitable or nondiscriminatory, given that business consumers, who typically make many interstate calls would be assessed the same as residential consumers, many of whom are low-income and low-volume callers. In other words, low-volume residential consumers would have to contribute the same to the USF as high-volume residential or business consumers. This is particularly onerous on low-income consumers that make infrequent calls.

[1] See Comments of Consumers Union, Texas Office of Public Utility Counsel, Consumer Federation of America, Appalachian People's Action Coalition, Center for Digital Democracy, Edgemont Neighborhood Coalition and Migrant Legal Action Program at page I (April 22, 2002).

TRAC also observes that the low-income and low-volume users who use pre-paid wireless services would be particularly harmed by the CBM. Low-income users of pre-paid wireless services are ineligible to receive the FCC's "Lifeline" exemption from USF contributions. Low-income and low-volume consumers find pre-paid wireless phone service attractive, because such services often do not require credit checks, monthly fees, contracts, and allow consumers of limited means to pay as they go. Yet, under CBM, these consumers will be hit with the double-whammy of a flat connection fee regardless of the number of calls they make as well as being ineligible for the Lifeline exemption.

One of the principal goals of the Universal Service Fund is to promote the availability of quality services at just, reasonable, and affordable rates. RBM provides an equitable and nondiscriminatory means for assessing contribution to the USF, while CBM violates the spirit and black letter of the 1996 Act. Accordingly, TRAC strongly urges the Commission to reject the proposed connection-based methodology. Our nation's most vulnerable can ill-afford such a costly burden.

Sincerely,

Dirck A. Hargraves, Esq.
Counsel
Telecommunications Research & Action Center